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Sudan Company Profiles

IMPORTANT: NOT VALID AFTER February 28, 2009

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**A Report by
The Sudan Divestment Task Force**

UPDATED November 30, 2008

Contributors to this report include the Sudan Divestment Task Force research team, various fiduciaries that have engaged companies on this list, non-profit groups and think tanks with information on Sudan. All research has been confirmed by at least two individuals unless indicated. Analytical review of certain companies has been provided by Calvert.

Exhibit K

BACKGROUND INFORMATION

The *Sudan Company Rankings* report is intended to serve as a listing of all companies that the Sudan Divestment Task Force (SDTF) has determined warrant scrutiny by investors because of their business operations in Sudan. SDTF has reviewed over 800 companies with connections to Sudan, and concludes that the subset of companies listed in this document warrant further investigation.

Please note that not all companies in this document warrant divestment. Rather, some currently are candidates only for shareholder engagement. Details regarding the distinction between companies warranting divestment, and those warranting engagement, appear below.

CRITERIA

In contrast to other models of divestment that advocate targeting all non-humanitarian business connections to Sudan, SDTF only places a company in this document if it generally:

1. Has a business relationship with the government, a government-created project, or companies affiliated with a government-created project; AND
2. Provides little benefit to the disadvantaged populations of Sudan; AND
3. Has not developed a substantial business-practice policy that acknowledges and deals with the fact that the company may be inadvertently contributing to the Sudanese government's genocidal capacity.

These general criteria are defined more specifically in SDTF's legislative model for targeted divestment:

www.sudandivestment.org/docs/task_force_targeted_divestment_model.pdf

and in SDTF's sample Investment Policy Statement:

www.sudandivestment.org/docs/SDTF_Investment_Policy_Statement.pdf

Nearly all of the companies SDTF targets are in the oil, mineral extraction, power, or defense industries. SDTF developed these criteria in recognition of the fact that, in general, economic investment in a country is critical for democratization and improved living standards, assuming that it is conducted in an environmentally and socially-responsible manner. We are interested only in targeting irresponsible investments that support a government committing genocide. Limiting the scope of divestment to worst offenders also serves to minimize potential impact on fiduciaries.

CRITICAL CAVEATS

1. Please note that our rankings report is updated quarterly and while our list of companies has remained generally consistent, we ask that our organization be consulted for updates before any action pursuant to our report is taken, as company rankings do shift over time.

2. As detailed below, we provide recommendations as to which companies mentioned in this document are best suited for divestment and/or continued shareholder engagement. If you do plan to divest or take action, please keep us informed.

3. As a companion to this document, SDTF produces a *Sudan Company Rankings* report that

Petroleum Nasional Berhad (Petronas).⁹³⁵ Additionally, in July 2007, Express was awarded a 10 % stake in Sudan's Block 13, another offshore oil block.⁹³⁶ That block is operated by CNPC.⁹³⁷

Relevant References

- Oil Industry
- Block 15
- Block 13

GIAD INDUSTRIAL CITY

Country: Sudan

Industry Sector: Military/Defense

Category: *No Publicly – Traded Equity*

Model Legislation Classification: N/A

Overview of Involvement in Sudan

GIAD Industrial City is Sudan's largest industrial complex. The complex was first created in 1997 and officially inaugurated in October 2000 through a partnership of two Sudanese state-owned enterprises, SMT Engineering Co. Ltd. (76%) and the Military Industry Corporation (24%).⁹³⁸

GIAD Industrial City is comprised of thirteen separate companies engaged in a variety of industrial manufacturing, from construction materials to automobiles.⁹³⁹ GIAD's factory complex covers an area of about 15 square kilometers and is located 50 kilometers south of Khartoum, on the western bank of the Blue Nile.⁹⁴⁰

In May 2007, GIAD Industrial City and two of its subsidiaries, GIAD Automotive Industry Company Limited (GIAD Automotive Industry Co.) and GIAD Motor Company, were placed on the United States' Specially Designated Nationals (SDN) list, a list of sanctioned entities

⁹³⁵ "First Sudan Offshore Block Award for Petronas," Rigzone, November 30, 2005, at http://www.rigzone.com/news/article.asp?a_id=24803 (last accessed November 29, 2008).

⁹³⁶ Small Arms Survey, "Arms, oil, and Darfur," Sudan Issue Brief (7), Small Arms Survey website, 2007, at http://www.smallarmssurvey.org/files/portal/spotlight/sudan/Sudan_pdf/SIB%207%20Arms.pdf (last November 10, 2008), p.3.

⁹³⁷ "Sudan oil map," European Coalition on Oil in Sudan, October 2007, at <http://www.unsudanig.org/library/mapcatalogue/sudan/data/others/Map%201177%20Euoupean%20Coalition%20on%20oil%20in%20Sudan%20ECOS%20aug2007.pdf> (last accessed November 29, 2008).

⁹³⁸ "GIAD Automotive Industry Company: A Legacy of Perpetual Civilization," p.6, GIAD Auto website at http://www.giadauto.com/zipfiles/giadauto_e_profile.zip (last accessed November 25, 2008).

⁹³⁹ "Sudan Giad Plans listing to fund growth," Zawya Dow Jones, posted on Sudan Tribune, October 19, 2007 at <http://www.sudantribune.com/spip.php?article24300> (last accessed November 25, 2008).

⁹⁴⁰ Id.

maintained by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC).⁹⁴¹ As of July 2008, the list contained more than 160 companies and individuals tied to the Sudanese government or otherwise found to "constitute a threat to the peace process and stability in Darfur."⁹⁴²

All three companies qualify for inclusion on the SDN list based on the fact that they are controlled by the government of Sudan. However, GIAD Industrial City was specifically cited by the U.S. Treasury Department as having supplied armored vehicles to the Sudanese government for military operations in Darfur.⁹⁴³

Separately, GIAD Automotive Industry Co. has allegedly been involved in manufacturing trucks for military use in Sudan. The company's website does not list the manufacturing of military vehicles or other military equipment among its activities.⁹⁴⁴ However, in 2005, a BBC "sting" operation found strong evidence to indicate that GIAD Automotive had entered into an agreement with the Sudanese Defense Ministry and Indian auto manufacturer Ashok Leyland to assemble a supply of Ashok Leyland military vehicles.⁹⁴⁵ Because Ashok Leyland's board of directors includes several UK citizens, the UK parliament opened an investigation as to whether the transaction constituted a breach of the EU arms embargo against Sudan.⁹⁴⁶ In response to these accusations, Ashok Leyland claimed the vehicles were intended for humanitarian use.⁹⁴⁷ It appears that the investigation was dropped at that point, and that the truck components were never delivered. However, the accusations raise the possibility of GIAD Automotive's direct involvement in the manufacturing or assembly of military or military – grade vehicles.⁹⁴⁸

⁹⁴¹ "Changes to list of Specially Designated Nationals and Blocked Persons Since January 1, 2007," Office of Foreign Assets Control, United States Department of the Treasury website at <http://www.ustreas.gov/offices/enforcement/ofac/sdn/sdnew07.pdf> (last accessed November 25, 2008).

⁹⁴² "Sudan: What You Need To Know About U.S. Sanctions," Office of Foreign Assets Control, United States Department of the Treasury, July 25, 2008 at <http://www.treas.gov/offices/enforcement/ofac/programs/sudan/sudan.pdf> (last accessed November 25, 2008).

⁹⁴³ "FACTBOX-U.S: sanctions Sudanese individuals and companies," Reuters Alertnet, May 29, 2007 at <http://www.alertnet.org/thenews/newsdesk/N29312368.htm> (last accessed November 25, 2008).

⁹⁴⁴ GIAD Automotive has seven subsidiary groups: GIAD Vehicles Co., Ltd, GIAD Trucks Co. Ltd., GIAD Tractors and Agricultural Equipment Co. Ltd., GIAD Furniture and Medical Appliances Co. Ltd., GIAD Services Co. Ltd., GIAD Compressors Co. Ltd., and GIAD Paints Co. Ltd. Although some of the services or products provided by these companies could potentially be used for military purposes or to contribute to the manufacturing of military equipment, there is no indication of this on the companies' web pages. See "Subsidiary Companies," GIAD Automotive website, at http://www.giadauto.com/english/giad_companies_e.htm (last accessed November 25, 2008).

⁹⁴⁵ "Memorandum from Mark Thomas: Submission of Evidence on Ashok Leyland Ltd and Sudan," UK Parliament Publications & Records, August 3, 2006, at <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmquad/873/873we12.htm> (last accessed November 25, 2008).

⁹⁴⁶ Id.

⁹⁴⁷ "Clarification on Ashok Leyland's Business Proposals with Sudan," Ashok Leyland press release, July 4, 2005, at <http://www.ashokleyland.com/newsdisplay.jsp?monthval=2&newsid=103&year=2005> (last accessed November 25, 2008).

⁹⁴⁸ While Ashok Leyland denied that the vehicles in question were intended for military use, the company's website does indicate that the Stallion 4x4 trucks, one of the models to be delivered, are defense vehicles. It also specifies that the trucks were set to be delivered to the Sudanese Defense Ministry. Regardless of the circumstances of this particular deal, the fact that GIAD Automotive assembles vehicles for the Sudanese Defense Ministry is potentially significant. Ashok Leyland Ltd., "Ashok Leyland to export defence vehicles to Sudan." See Ashok Leyland website,

GIAD Automotive Industry Co., (a.k.a. GIAD Automotive Industry Holding Group) is the largest, most profitable operation of GIAD Industrial City.⁹⁴⁹ Through seven subsidiary groups,⁹⁵⁰ it assembles up to 12,000 vehicles per year through licensing agreements with several international automobile manufacturers, including Hyundai of Korea, Renault of France, Massey Ferguson Co., Eugin and Modan Co. of China and Nissan of Japan.⁹⁵¹

Currently, GIAD Automotive Industry Co. also represents that it assembles vehicles for MAN AG of Germany,⁹⁵² though MAN AG has reported that this is not the case.⁹⁵³ In addition to information on GIAD Automotive's website, there were reports in August 2008 that GIAD Automotive holds licenses to manufacture \$100,000 heavy – duty trucks for MAN AG.⁹⁵⁴ MAN AG representatives have since stated that though the company had in the past delivered shipments of trucks to Sudan for assembly, GIAD Automotive holds no license to manufacture MAN AG vehicles, and has only ever assembled non – military, commercial vehicles shipped to Sudan by MAN AG.⁹⁵⁵ MAN AG representatives also stated that their company had a policy of ensuring that the vehicles it shipped were not of military grade or for military use.⁹⁵⁶

Additional Notes

In October 2007, GIAD announced intentions to list shares of GIAD Automotive on the Dubai Financial Market and the Khartoum Stock Exchange.⁹⁵⁷ However, difficulties relating to U.S. sanctions caused the company to withdraw its plans for the Dubai listing in August 2008.⁹⁵⁸ Still, the company plans to list on the Khartoum Stock Exchange, where it will reportedly gain access to international investment through that exchange's agreements with the Dubai Financial Market.⁹⁵⁹

February 16, 2005 at <http://web.archive.org/web/20050308130953/www.ashokleyland.com/Web/whatsnew.jsp> (last accessed August 30, 2008).

⁹⁴⁹ Id.

⁹⁵⁰ "GIAD Automotive Industry Company: A Legacy of Perpetual Civilization," p.6, GIAD Auto website at http://www.giadauto.com/zipfiles/giadauto_e_profile.zip (last accessed November 25, 2008).

⁹⁵¹ GIAD Automotive Industry Company: A Legacy of Perpetual Civilization," p.10, GIAD Auto website at http://www.giadauto.com/zipfiles/giadauto_e_profile.zip (last accessed November 29, 2008).

⁹⁵² See Id. and "The Partners," GIAD Automotive website, at http://www.giadauto.com/english/partners_e.htm (last accessed November 25, 2008).

⁹⁵³ Initial conversation (October 2008) with MAN AG; pending official confirmation from MAN AG representatives.

⁹⁵⁴ See Benoit Faucon and Tahani Karrar, "Focus: Sudan Car Co IPO Shows US Pressure Hampers Fundraising," Dow Jones Newswires, posted on Zawya, August 7, 2008, at <http://www.zawya.com/printstory.cfm?storyid=ZW20080807000080&l=152821080807> (last accessed November 25, 2008).

⁹⁵⁵ Initial conversation (October 2008) with MAN AG; pending official confirmation from MAN AG representatives.

⁹⁵⁶ Id. For more information, see the MAN AG entry in this report.

⁹⁵⁷ "Sudan Giad Plans listing to fund growth," Zawya Dow Jones, posted on Sudan Tribune, October 19, 2007 at <http://www.sudantribune.com/spip.php?article24300> (last accessed November 25, 2008).

⁹⁵⁸ Benoit Faucon and Tahani Karrar, "Sudan Car IPO Shows US Pressure Hampers Funding," Zawya Dow Jones, August 7, 2008 at <http://www.zawya.com/printstory.cfm?storyid=ZW20080807000080&l=152821080807> (last accessed November 25, 2008).

⁹⁵⁹ Id.

Because of GIAD Automotive's placement on OFAC's SDN list, U.S. investors are banned from participating in the IPO or engaging in any transactions related to GIAD Automotive. European or other international investors that choose to participate in the IPO must ensure that no U.S. individuals are involved in transactions relating to GIAD, and that no funds invested in GIAD flow through the U.S. banking system.⁹⁶⁰ Dow Jones reported that at least two Middle Eastern brokerages had refused to handle the Dubai listing based on concerns related to U.S. sanctions compliance.⁹⁶¹ Analysts have also noted the potential reputational risks facing international banks and others that participate in GIAD Automotive's IPO due to the company's connections to the Darfur conflict.⁹⁶²

SDTF had previously excluded the GIAD group from the *Sudan Company Report*, given that GIAD had no public equity or corporate bond listings, and that U.S. sanctions prohibit U.S. persons from any transactions with the company. However, the impending IPO by GIAD Automotive makes the company more relevant to investors (particularly non – U.S. investors) concerned about exposure to companies potentially involved in increasing the Government of Sudan's military capacity.

Relevant References

- Weapons Trade

HI TECH PETROLEUM GROUP CO. LTD.

Country: Sudan

Industry Sector: Oil

Category: *No Publicly-Traded Equity*

Model Legislation: N/A

Current Involvement in Sudan

Hi – Tech Petroleum Group (HTPG), a private Sudanese oil company, holds stakes in numerous oil blocks in Sudan. Reports indicate that it is a partner in Blocks 11, 12A, 15, and C,⁹⁶³ and it also appears to hold an 8% stake in Block 8.⁹⁶⁴

⁹⁶⁰ Id.

⁹⁶¹ Id.

⁹⁶² In a statement to Dow Jones, Michael Burton, a Washington-based lawyer with Arent Fox, noted that investing in GIAD "could attract even worse publicity on the world stage" than investing in other embargoed countries. See Benoit Faucon and Tahani Karrar, "Sudan Car IPO Shows US Pressure Hampers Funding," *Zawya* Dow Jones, August 7, 2008 at <http://www.zawya.com/printstory.cfm?storyid=ZW20080807000080&l=152821080807> (last accessed November 25, 2008).

⁹⁶³ See, e.g., "The local oil magnates," *The Indian Ocean Newsletter*, No 1212, April 14, 2007, *Africa Intelligence*, at http://www.africaintelligence.com/ION/detail/detail_articles/p_detail.asp?doc_i_id=27786120&context=boi&context